

Unaudited Annual Financial Statements

for

**ILEMBE DISTRICT MUNICIPALITY**

As at 30 June 2016

2016

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

**Contact Information:**

**Name of Municipal Manager:** Nonhlanhla Gamede

**Name of Chief Financial Officer:** Nosipho Mba

Contact telephone number: 032 437 9503

Contact e-mail address: [nosipho.mba@ilembe.gov.za](mailto:nosipho.mba@ilembe.gov.za)

**Name of contact at provincial treasury:** Nokuthula Ndlovu

Contact telephone number: 033 897 4376

Contact e-mail address: [nokuthula.chamane@kzntreasury.gov.za](mailto:nokuthula.chamane@kzntreasury.gov.za)

**Name of relevant Auditor:** Ntombifuthi Mhlongo

Contact telephone number: 033 264 7600

Contact e-mail address: [ntombifuthim@agsa.co.za](mailto:ntombifuthim@agsa.co.za)

**Name of contact at National Treasury:**

Matsie Sehlapelo

Contact telephone number: 012 315 5295

Contact e-mail address: [Matsie.Sehlapelo@treasury.gov.za](mailto:Matsie.Sehlapelo@treasury.gov.za)

## General information

**Municipal Manager**

**Chief Financial Officer**

### Grading of Local Authority

## Auditors

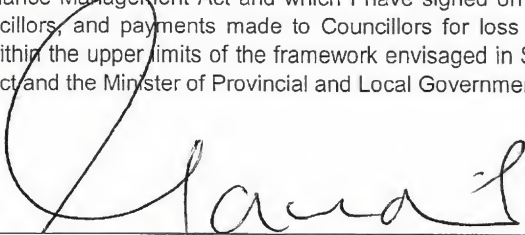
## Bankers

1

**ILEMBE DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
As at 30 June 2016**

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 48, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager: PN GAMEDE

DATE: 31 August 2016

**ILEMBE DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
As at 30 June 2016**

<b>Index</b>	<b>Page</b>
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget & Actuals	9
Accounting Policies	10-19
Notes to the Annual Financial Statements	20-43
Appendix A: Schedule of External Loans	44
Appendix B: Analysis of Property, Plant and Equipment	45-46
Appendix C: Segmental Analysis of Property, Plant and Equipment	47
Appendix D: Segmental Statement of Financial Performance	48

**ILEMBE DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2016**

	Note	2016 R	2015 R
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	35 916 287	31 863 096
Trade and other receivables from exchange transactions	2	106 447 234	136 535 915
Trade and other receivables from non exchange transactions	4	147 005 337	74 186 007
Inventories	6	10 609 260	14 941 091
<b>Total current assets</b>		<b>299 978 119</b>	<b>257 526 108</b>
<b>Non-current assets</b>			
Non-current receivables	7	35 314	-
Long term Investments	8	24 419 710	22 982 423
Other non-current financial assets	5	100	100
Property, plant and equipment	10	1 962 775 644	1 533 050 758
Intangible assets	12	5 371 579	4 579 024
Heritage Assets	11	205 578	205 578
<b>Total non-current assets</b>		<b>1 992 807 925</b>	<b>1 560 817 883</b>
<b>Total assets</b>		<b>2 292 786 044</b>	<b>1 818 343 992</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	13	344 972 698	266 886 973
Trade and other payables from non - exchange transactions	14	4 487 482	9 767 522
Current portion of borrowings	15	6 652 583	1 516 041
Current portion of finance lease liability	16	15 463 776	8 426 370
Current portion of employee benefits	37	1 014 311	801 472
<b>Total current current liabilities</b>		<b>372 590 850</b>	<b>287 398 378</b>
<b>Non-current liabilities</b>			
Non-current borrowings	15	77 958 904	89 866 402
Non-current finance lease liability	16	7 980 147	23 776 357
Employee benefits	37	6 962 850	6 470 155
<b>Total non-current liabilities</b>		<b>92 901 901</b>	<b>120 112 914</b>
<b>Total liabilities</b>		<b>465 492 751</b>	<b>407 511 291</b>
<b>Net assets</b>		<b>1 827 293 293</b>	<b>1 410 832 701</b>
<b>NET ASSETS</b>			
Accumulated surplus		1 827 293 293	1 410 832 701
<b>Total net assets</b>		<b>1 827 293 293</b>	<b>1 410 832 701</b>

**ILEMBE DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**As at 30 June 2016**

	<b>Note</b>	<b>2016 R</b>	<b>2015 R</b>
<b>Revenue from exchange transactions</b>		<b>178 581 266</b>	<b>170 238 980</b>
Service charges	17	145 147 918	145 000 897
Rental of facilities and equipment	18	14 221	17 756
Interest earned - external investments	19	4 768 538	3 614 065
Interest earned - outstanding receivables	20	18 195 506	14 393 406
Other income	22	10 455 083	7 212 856
<b>Revenue from non exchange transactions</b>		<b>902 930 856</b>	<b>712 659 888</b>
Government grants and subsidies	21	902 930 856	712 659 888
<b>Total revenue</b>		<b>1 081 512 122</b>	<b>882 898 868</b>
<b>Expenses</b>			
Employee related costs	23	162 315 862	153 413 213
Remuneration of councillors	24	9 713 898	8 589 586
Bad debts	2	97 678 134	40 409 419
Depreciation, impairment and amortisation	25	69 680 117	(137 521 017)
Repairs and maintenance		61 420 969	52 721 282
Finance costs	26	8 447 809	11 246 933
Bulk purchases	27	62 752 475	74 440 680
Contracted services	28	69 840 204	66 716 671
Grant Expenses	29	28 879 681	34 217 638
General expenses	30	89 453 543	89 921 612
<b>Total expenses</b>		<b>660 182 693</b>	<b>394 156 016</b>
Gain / (loss) on sale of assets		(1 127 527)	15 392
Forex gain/(loss)		(422 371)	(6 245)
		<b>419 779 531</b>	<b>488 751 999</b>

**ILEMBE DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
As at 30 June 2016

	Note	IDM Accumulated Surplus/(Deficit) Total  R
<b>Balance at 30 June 2014</b>		<b>962 549 849</b>
Prior year adjustments	31	(40 469 143)
<b>Restated balance</b>		<b>922 080 705</b>
Surplus / (deficit) on revaluation of property of property, plant and equipment		-
<i>Other items</i>		-
<i>Other items</i>		-
Transfers to / from accumulated surplus/(deficit)		-
Surplus / (deficit) for the period		488 751 999
<b>Balance at 30 June 2015</b>		<b>1 410 832 705</b>
Correction of prior period error	31	-3 318 943
<b>Restated balance</b>		<b>1 407 513 762</b>
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the period		419 779 531
<b>Balance at 30 June 2016</b>		<b>1 827 293 293</b>



**ILEMBE DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT**  
**As at 30 June 2016**

	Note	IDM 2016 R	IDM 2015 R
Receipts		<b>917 600 154</b>	<b>734 085 707</b>
Sales of goods and services		90 743 417	95 232 752
Grants		826 856 736	638 852 954
Payments		<b>(302 444 338)</b>	<b>(374 361 446)</b>
Employee costs		170 665 565	159 935 004
Suppliers		131 778 772	214 426 442
<b>CASH GENERATED FROM OPERATIONS</b>	32	<b>615 155 816</b>	<b>359 724 261</b>
Interest received		4 768 538	3 614 065
Interest paid		(8 447 809)	(11 246 933)
<b>Net cash flows from operating activities</b>		<b>611 476 545</b>	<b>352 091 393</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)		(581 751 685)	(352 938 611)
Proceeds from sale of fixed assets		910 864	265 000
Increase in investments		(1 437 287)	(1 433 360)
Purchase of intangibles		(2 433 870)	(281 156)
<b>Net cash flows from investing activities</b>		<b>(584 711 978)</b>	<b>(354 388 127)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(6 770 955)	(1 582 325)
Repayment of finance lease liability		(15 940 421)	(9 096 224)
<b>Net cash flows from financing activities</b>		<b>(22 711 377)</b>	<b>(10 678 549)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>4 053 191</b>	<b>(12 975 283)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>31 863 096</b>	<b>44 838 379</b>
<b>Net cash and cash equivalents at end of period</b>	33	<b>35 916 287</b>	<b>31 863 096</b>

4



**ILEMBE DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
As at 30 June 2016

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final	Actual Income/Expenditure	Unauthorised Expenditure	Variance	% Variance	Explanation of variances
	1 R	2 R	3 R	4 R	5 R	6 R	7 R	8	9
Service Charges	1 81 000 339	222 929 008	-	222 929 008	145 147 918		-77 781 090	-35%	Council had planned to charge the drought levy in order to recover drought expenditure incurred, however, due to violent public protests, the levy was not implemented.
Investment Revenue	4 306 676	3 352 988,66	-	3 352 989	4 768 538		1 415 549	42%	More interest from investments was earned than anticipated
Transfers Recognised - Operational	366 590 000	369 390 000	-	369 390 000	410 791 427		41 401 427	11%	Acceleration in grant funded projects implementation
Other Own Revenue	29 047 356	39 106 107	-	39 106 107	28 664 810		-10 441 297	-27%	Less income was received than planned
<b>Total Revenue (Excluding Capital Transfers) &amp; Contributions)</b>	<b>580 944 371</b>	<b>634 778 104</b>	<b>-</b>	<b>634 778 104</b>	<b>589 372 692</b>	<b>-</b>	<b>-45 405 412</b>		
Employee Costs	1 76 801 204	177 682 170		177 682 170	162 315 862	-	-15 366 308	-9%	Accept the variance as immaterial
Remuneration Of Councillors	8 088 470	9 498 090,10		9 498 090	9 713 898		215 808	2%	Accept the variance as immaterial
Debt Impairment	37 713 588	42 798 216		42 798 216	97 678 134		54 879 918	128%	Various violent protests made it impossible to implement the credit control policy in some areas hence increasing doubtful debts provision
Depreciation & Asset Impairment	59 280 552	63 391 855		63 391 855	69 680 117		6 288 263	10%	There was a restructure on the loan condition which resulted in less finance charges on borrowings. Less finance charges on leases were incurred than anticipated.
Finance Charges	10 678 680	13 477 409,00		13 477 409	8 447 809		-5 029 600	-37%	
Bulk Purchases	40 319 500	68 526 598,80		68 526 599	62 752 475	-	-5 774 124	-8%	Accept the variance as immaterial
Contracted Services	52 852 560	65 346 781,40		65 346 781	69 840 204		4 493 423	7%	Accept the variance as immaterial

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (Council Approved By-law)	Final	Actual Income/Expenditure	Unauthorised Expenditure	Variance	% Variance	Explanation of variances
Grant Expenses	36 446 696	37 368 814,12		37 368 814	28 879 681		-8 489 133	-23%	The budgeted amount includes free basic services which is netted off against service charges income on the actual amounts.
Other Expenditures	155 623 780	166 201 037,38		191 676 363	150 874 511	-	-40 801 851	-21%	Austerity measures
<b>Total Expenditure</b>	<b>577 805 031</b>	<b>644 290 971,19</b>	<b>-</b>	<b>669 766 296</b>	<b>660 182 693</b>	<b>-</b>	<b>-9 583 604</b>		
<b>Surplus/(Deficit)</b>	<b>3 139 340</b>	<b>-9 512 867,28</b>	<b>-</b>	<b>-34 988 193</b>	<b>-70 810 001</b>	<b>-</b>	<b>-35 821 808</b>		Implementation of projects originally planned for 2016/17 financial year and which is within the 14% MTREF approved budget.
Transfers Recognised - Capital	311 336 000	305 036 000,00	-	305 036 000	346 236 194		41 200 194	-6%	Accept variance as immaterial
Contributions Recognised - Capital & Contributed Assets	126 166 000	154 876 223,00	-	154 876 223	145 903 236		-8 972 987		
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>440 641 340</b>	<b>450 399 355,72</b>	<b>-</b>	<b>424 924 030</b>	<b>421 329 429</b>	<b>-</b>	<b>-3 594 601</b>		
Profit/(Loss)					-1 549 898		-1 549 898		
<b>Surplus/(Deficit) For The Year</b>	<b>440 641 340</b>	<b>450 399 355,72</b>	<b>-</b>	<b>424 924 030</b>	<b>419 779 531</b>	<b>-</b>	<b>-5 144 499</b>		Implementation of some projects originally planned for 2016/17 financial year as brought forward to 2015/16. The expenditure will be funded from the 2016/17 grant allocation.
<b>Capital Expenditure &amp; Funds Sources</b>									
Capital Expenditure									
Transfers Recognised - Capital	290 645 614	286 352 592,11	-	286 352 592	349 736 491	57 774 502,22	63 383 899	22%	
Public Contributions & Donations	110 671 930	117 689 473,68	-	117 689 474	125 309 979	7 620 506,00	7 620 506	6%	Accept the variance as immaterial
Internally Generated Funds	23 169 191	48 902 393,96	-	48 902 394	25 331 785	-	-23 570 609	-48%	The under-spending is attributable to implement austerity measures.
<b>Total Sources Of Capital Funds</b>	<b>424 486 735</b>	<b>452 944 459,75</b>	<b>-</b>	<b>452 944 460</b>	<b>500 378 255</b>	<b>65 395 008,22</b>	<b>47 433 796</b>		

## 1 BASIS OF PREPARATION

### 1.1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with the effective South African Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of Finance, including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

### 1.2 BASIS OF MEASUREMENT

The annual financial statements have been prepared on the accrual basis except for the following material item in the statement of financial position:

the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3 *Accounting policies, changes in accounting estimates and errors*. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

### 1.3 FUNCTIONAL AND PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

### 1.4 OFFSETTING

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

### 1.5 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

### 1.6 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future.

### 1.7 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The municipality shall present a comparison of budget and actual amounts as additional budget columns in the primary financial statements only where the financial statements and the budget are prepared on a comparable basis. All comparisons of budget and actual amounts shall be presented on a comparable basis to the budget. The municipality shall explain in notes to the financial statements the budgetary basis and classification basis adopted in the approved budget (refer note 1.10).

### 1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. Application of all of the GRAP standards noted below will be effective from a date to be announced by the Minister of Finance. The effective dates are currently unknown.

GRAP 18 Segment Reporting - issued February 2011  
GRAP 20 Related Party Disclosures - issued June 2011  
GRAP 32 Service Concession Arrangements (Grantor) - issued August 2013  
GRAP 109 Standard of GRAP on Accounting by Principals  
GRAP 108 Statutory Debtors - issued September 2013



## 1.9 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED AND EFFECTIVE

The following GRAP standards have been issued and are effective and have been adopted by the municipality.

GRAP 105 Transfer of Functions Between Entities Under Common Control - Effective 1 April 2015  
GRAP 106 Transfer of Functions Between Entities Not Under Common Control - issued Effective 1 April 2015  
GRAP 107 Mergers - issued November effective 1 April 2015  
GRAP 25 Employee Benefits - effective 01 April 2013

The impact of the application of these standards on the municipality's annual financial statements is as follows:

**GRAP 106** - Full Compliance is not required with GRAP 107, entities should formulate an accounting policy for any mergers concluded. The municipality is not impacted by this GRAP standard.

**GRAP 106** - Full Compliance is not required with GRAP 107, entities should formulate an accounting policy for any mergers concluded. The municipality is not impacted by this GRAP standard.

**GRAP 107** - Full Compliance is not required with GRAP 107, entities should formulate an accounting policy for any mergers concluded. The municipality is not impacted by this GRAP standard.

**GRAP 25** - Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the 2012/13 financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes

## 1.10 PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The budget is mainly approved on a cash basis by functional classification. The approved budget covers the period from 1 July 2014 to 30 June 2015. The budget and accounting bases for some votes differ. The financial statements are prepared on the accrual basis using a classification on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. The amounts of these adjustments are identified in note 41. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the cash flow statement for the period ended 30 June 2014 is presented in note 41. The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is mainly prepared on a cash basis and the financial statements on the accrual basis. The reconciliation as required by GRAP 24 is also shown in note 41. The statement of comparison of budget and actual amounts is disclosed as a statement in the annual financial statements.

Differences between budget and actual amounts are regarded as material when a more than 10% variance exists.

All material differences are explained in the notes to the annual financial statements.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies had been applied consistently during the current and previous reporting period, as set out in note 1.2

### 2.1 PROPERTY, PLANT AND EQUIPMENT

#### 2.1.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 2.1.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### 2.1.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Infrastructure	Years	Other	Years
Water	10 - 60	Machinery and equipment	3 - 20
Sewerage	10 - 60	Furniture and equipment	3 - 50
Other	10 - 50	Motor vehicles	4 - 20

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance - refer to note 19 for further information on impairment of assets.

#### 2.1.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 2.1.5 LEASED ASSETS

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

### 3 INTANGIBLE ASSETS

#### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

subsequent

#### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software and websites    2 - 5 Years

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date - refer to note 19 for further information on impairment of assets. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 4 HERITAGE ASSETS

#### 4.1 INITIAL RECOGNITION AND MEASUREMENT

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

#### 4.2 SUBSEQUENT MEASUREMENT - COST MODEL

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

#### 4.3 DEPRECIATION & IMPAIRMENT

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired - refer to note 18 for further information on impairment of assets.

In assessing whether there is an indication that an asset may be impaired, the municipality considers, as a minimum, the following indications:



#### 4.3.1 External sources of information

- (a) During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) The absence of an active market for a revalued heritage asset.

#### 4.3.2 Internal sources of information

- (a) Evidence is available of physical damage or deterioration of a heritage asset.
- (b) A decision to halt the construction of the heritage asset before it is complete or in a usable form.

### 4.4 DERECOGNITION

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

## 5 INVENTORIES

### 5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### 5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

### 5.3 WATER INVENTORY

Water inventory represents water housed in reservoirs within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government, the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

## 6 INVESTMENTS IN CONTROLLED ENTITIES

In the municipality's separate annual financial statements, investments in controlled entities are measured at cost.

## 7 FINANCIAL INSTRUMENTS

### 7.1 INITIAL RECOGNITION

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or residual interest of another entity. A financial asset is:

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity; or  
exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions. Financial assets are recognised using trade date accounting

### 7.2 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value and plus transaction costs for financial instruments at amortised cost or cost. Fair value is usually the transaction cost at the date of recognition. For financial instruments at amortised cost, if the transaction cost is not market related i.e. no interest is charged for deferred payments or when the account is overdue, or interest charged is at below- market related rate: the municipality determines the fair value. The fair value is the present value of the expected future cash flows, without taking into account any future losses or the possibility of default, discounted using a market related interest rate, adjusted for credit risk over the expected life of the financial instrument. For financial instruments at fair value, the fair value is determined based on quoted prices in an active market. If there is no active market, it is determined using valuation techniques. For financial instruments at cost, the financial instrument is only measured at cost if the fair value can not be measured reliably. Where a financial instrument contains both a liability and a residual interest component, the municipality allocates the instrument into its component parts. The municipality recognises the liability at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its

### 7.3 SUBSEQUENT MEASUREMENT

Financial assets and liabilities are subsequently measured either at fair value, or amortised cost or cost using the following categories:

- (a) Financial instruments at fair value
- (b) Financial instruments at amortised cost
- (c) Financial instruments at cost

#### 7.3.1 FINANCIAL INSTRUMENTS AT FAIR VALUE

Financial instruments at fair value comprise financial assets or financial liabilities that are derivatives, combined instruments that are designated at fair value, instruments held for trading, financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost and non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition. Financial instrument at fair value are subsequently measured at fair value with changes in fair value recognised in surplus or deficit.

### 7.3.2 FINANCIAL INSTRUMENTS AT AMORTISED COST

Financial instruments at amortised cost, are non-derivative financial assets or financial liabilities that have fixed or determinable payments, excluding those the municipality designates at fair value at initial recognition or are held for trading. Financial instruments at amortised cost are subsequently measured at amortised cost using effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with the financial instrument through the expected life of the instrument (or in some cases a shorter period) to the net carrying amount at initial recognition. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

### 7.3.3 FINANCIAL INSTRUMENTS AT COST

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured. Financial instruments at cost are subsequently measured at cost if the fair value cannot be reliably determined. Financial assets are subject to annual impairment review. Refer to note 7.6 for details on impairment and uncollectability of financial assets.

### 7.4 RECLASSIFICATIONS

The municipality does not reclassify a financial instrument when it is issued or held, except for a combined instrument that is required to be measured at fair value or an investment in residual interest subject to certain requirements.

### 7.5 GAINS AND LOSSES

Gains and losses on fair value measurements, reclassifications, impairment, derecognition are recognised in surplus or deficit.

### 7.6 IMPAIRMENT AND UNCOLLECTABILITY OF FINANCIAL ASSETS

Financial assets are subject to annual impairment review as follows:

#### 7.6.1 FINANCIAL ASSETS AT AMORTISED COST

For financial assets at amortised cost; the municipality assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset, (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The impairment loss is recognised in surplus or deficit by reducing the carrying amount either directly or through the use of an allowance account. If, in a period after an impairment loss has been recognised, events occur or circumstances change that indicate that the impairment loss recognised in a previous period should be reversed, the municipality reverses the impairment loss previously recognised either directly or by adjusting an allowance account.

#### 7.6.2 FINANCIAL ASSETS AT COST

For financial assets at cost; the municipality assesses whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on a financial asset has been incurred, the loss is recognised in surplus or deficit. The impairment loss is the difference between the carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in surplus or deficit by reducing the carrying amount directly. The impairment loss is never reversed in subsequent periods.

### 7.7 DERECOGNITION

#### 7.7.1 FINANCIAL ASSETS

The municipality derecognises financial assets using trade date accounting. The municipality derecognises a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- (b) the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- (c) the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality shall:
  - (i) derecognise the asset; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

#### 7.7.2 FINANCIAL LIABILITIES

The municipality removes a financial liability from its statement of financial position when, and only, it is extinguished. A financial liability is extinguished when the debtor either:

- (a) Discharges the liability by paying the creditor, normally with cash, other financial liabilities, goods or services.
- (b) Is legally released from primary responsibility for the liability either by process (expires) of law or by the creditor (cancelled). If the debtor has given a guarantee, this condition may still be met.
- (c) Waives the debt or it is assumed by another municipality by way of a non-exchange transaction.

Interest, dividends or similar distributions, losses and gains relating to a financial instrument or a component that is a financial liability should be recognised as revenue or expense in surplus or deficit. A financial asset and a financial liability should be offset and the net amount presented in the statement of financial position when and when, the municipality:

- (i) Currently has a legally enforceable right to set off the recognised amounts; and
- (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

## 8 FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are translated to the functional currency of the municipality at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit, except for differences arising on the retranslation of available-for-sale financial instruments, which are recognised in net assets.



**UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is defined in section 1 of the MFMA as follows:

"unauthorised expenditure", in relation to a municipality, means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3), and includes—

- (a) overspending of the total amount appropriated in the municipality's approved budget;
- (b) overspending of the total amount appropriated for a vote in the approved budget;
- (c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- (d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- (e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- (f) a grant by the municipality otherwise than in accordance with this Act.

**9.1 IDENTIFICATION AND INTERNAL REPORTING**

Unauthorised expenditure is identified through the municipality's financial system application controls. On identification of the unauthorised expenditure due to overspending on specific votes, the relevant Head of department is notified, where funds are available on other votes within the directorate, virements are made within the provisions of the virement policy. If after the provisions of the virement policy are applied, the unauthorised expenditure still remains/exist, it is recorded in the unauthorised expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

**9.2 COUNCIL DECISION AND ACCOUNTING TREATMENT**

Unauthorised expenditure that is incurred before the adjustment budget process is finalised is condoned by council through the adjustment budget. Unauthorised expenditure that is incurred after the adjustments budget is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the unauthorised expenditure as irrecoverable and write - off, the unauthorised expenditure is disclosed in the notes to the financial statements as condoned by council. Where MPAC determines after investigation, that the unauthorised expenditure must be recovered from the relevant official, the unauthorised expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the unauthorised expenditure note as unauthorised expenditure incurred in the current financial year.

**9.3 EXTERNAL REPORTING**

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any unauthorised expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such unauthorised expenditure; and
- (c) The steps that have been taken-
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

**10 IRREGULAR EXPENDITURE**

Irregular expenditure is defined in section 1 of the MFMA as follows:

"irregular expenditure", in relation to a municipality or municipal entity, means—

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
  - (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
  - (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
  - (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,
- but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

**10.1 IDENTIFICATION AND INTERNAL REPORTING**

Every expenditure item is reviewed before payment is made to identify any instances of non-compliance with the relevant Acts and supply chain management policy of the municipality. Where an expenditure item is identified as irregular expenditure, it is recorded in the irregular expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.

**10.2 COUNCIL DECISION AND ACCOUNTING TREATMENT**

Irregular expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the irregular expenditure as irrecoverable and write - off, the irregular expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the irregular expenditure must be recovered from the relevant official, the irregular expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the irregular expenditure note as irregular expenditure incurred in the current financial year.

**10.3 EXTERNAL REPORTING**

The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:

- (a) Any irregular expenditure incurred by the municipality;
- (b) Whether any person is responsible or under investigation for such irregular expenditure; and
- (c) The steps that have been taken-
  - (i) To recover or rectify such expenditure; and
  - (ii) To prevent a recurrence of such expenditure

11	<p><b>FRUITLESS AND WASTEFUL EXPENDITURE</b></p> <p>Fruitless and wasteful expenditure is defined in section 1 of the MFMA as follows:  "fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised.</p>
11.1	<p><b>IDENTIFICATION AND INTERNAL REPORTING</b></p> <p>Every expenditure item is reviewed before payment is made to identify whether it meets the definition of fruitless and wasteful expenditure. Where an expenditure item is identified as fruitless and wasteful expenditure, it is recorded in the fruitless and wasteful expenditure register and reported to the accounting officer, mayor and council in terms of MFMA section 32.</p>
11.2	<p><b>COUNCIL DECISION AND ACCOUNTING TREATMENT</b></p> <p>Fruitless and wasteful expenditure reported to council is referred to the Municipal Public Accounts Committee (MPAC) for investigation and recommendation to council. Where MPAC after investigation, recommends to council to certify the fruitless and wasteful expenditure as irrecoverable and write - off, the fruitless and wasteful expenditure is disclosed in the notes to the financial statements as certified and written - off by council as irrecoverable. Where MPAC determines after investigation, that the fruitless and wasteful expenditure must be recovered from the relevant official, the fruitless and wasteful expenditure is recognised as an asset (debtor) in the statement of financial position and also disclosed in the fruitless and wasteful expenditure note as fruitless and wasteful expenditure incurred in the current financial year.</p>
11.3	<p><b>EXTERNAL REPORTING</b></p> <p>The accounting officer of the municipality promptly informs the mayor, the MEC for local government in the province and the Auditor - General, in writing, of:</p> <ul style="list-style-type: none"> <li>(a) Any irregular expenditure incurred by the municipality;</li> <li>(b) Whether any person is responsible or under investigation for such fruitless and wasteful expenditure; and</li> <li>(c) The steps that have been taken- <ul style="list-style-type: none"> <li>(i) To recover or rectify such expenditure; and</li> <li>(ii) To prevent a recurrence of such expenditure</li> </ul> </li> </ul>
12	<p><b>PROVISIONS</b></p> <p>Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).</p> <p>The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.</p> <p>Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.</p> <p>A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:</p> <ul style="list-style-type: none"> <li>(a) The municipality has a detailed formal plan for the restructuring identifying at least:</li> <li>(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.</li> </ul>
13	<p><b>LEASES</b></p>
13.1	<p><b>MUNICIPALITY AS LESSEE</b></p> <p>Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.</p> <p>Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.</p> <p>Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.</p>
13.2	<p><b>MUNICIPALITY AS LESSOR</b></p> <p>Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.</p> <p>Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.</p> <p>The tariff in respect of sewerage is based on the value of consumption used from one point of meter supply</p>
14	<p><b>REVENUE</b></p>
14.1	<p><b>REVENUE FROM EXCHANGE TRANSACTIONS</b></p> <p>Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.</p> <p>Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Further adjustments are made to take into account staggered tariffs where applicable. The estimates of consumption between meter readings are based on 6 months average reading history.</p>



Service charges from sewerage and sanitation are based on the value of consumption used from one point of meter supply and this is set out in the tariffs of charges approved by Council.

Revenue from the sale of water prepaid meter cards is recognized based on consumption except where a reliable estimate cannot be made after every reasonable effort to gather appropriate information had been made. In these instances, revenue is recognized at the point of sale.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### **14.2 REVENUE FROM NON - EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions are transactions where the municipality receives revenue and provide no or a nominal consideration directly in return.

A transaction can be a combination of exchange and non-exchange transactions. In these instances the municipality determines what portion of the transaction is an exchange transaction and what portion is a non-exchange transaction and then recognise it separately.

Most non-exchange transactions that the municipality enters into involve stipulations on transferred assets are in terms in laws or regulations, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality. Stipulations can either be in the form of conditions or in the form of restrictions. For both conditions and restrictions the municipality may be required to use the transferred asset for a particular purpose. The municipality uses substance over form to determine whether a stipulation is a condition or restriction.

#### **14.3 RECOGNITION**

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognised as an asset when all of the following criteria have been satisfied:

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow (which is the case when a stipulation is a condition).

Liabilities are recognised for conditions to be met which is attached to the transferred asset. The liability is discharged and revenue recognised as the conditions are satisfied.

The municipality does not recognise service in - kind.

The municipality recognises revenue from vat refunds on cash basis.

#### **14.4 MEASUREMENT**

Non-monetary assets such as property, plant and equipment, investment property and inventory, acquired through a non-exchange transaction, are initially measured at its fair value on acquisition date.

Monetary assets arising out of a contractual agreement, such as cash and receivables, are initially measured at fair value on acquisition date.

Revenue is measured at the amount equal to the increase in net assets (i.e. the net effect).

The amount recognised as a liability is the best estimate of the amount required to settle the present obligation at the reporting date.

Revenue from vat refunds is measured at gross amounts.

### **15 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

### **16 EMPLOYEES BENEFITS**

#### **16.1 SHORT-TERM EMPLOYEE BENEFITS**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

**16.2.1 DEFINED CONTRIBUTION PLANS**

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds. The municipality contributes to various national and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

**16.2.2 DEFINED BENEFITS PLANS**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It defines an amount of benefit that an employee will receive on retirement. The municipality's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine its present value. The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the municipality. An economic benefit is available to the municipality if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. The expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in surplus or deficit on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in surplus or deficit.

The municipality immediately recognises all actuarial gains and losses arising from defined benefit plans directly in net assets.

**16.2.3 OTHER LONG - TERM BENEFITS PLANS**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

**16.2.4 TERMINATION BENEFITS**

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**17 VALUE ADDED TAX (VAT)**

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes. The municipality accounts for VAT on a monthly basis.

**18 IMPAIRMENT OF ASSETS**

Primary objective for cash generating assets is to generate a commercial return and the primary objective for non-cash generating asset is service delivery. The municipality uses the following sets of questions as a criteria to distinguish between cash generating and non-cash generating assets:

- (a) Was the asset acquired to generate a commercial return?
- (b) Does the asset operate independently from other assets?
- (c) Does the asset generate cash flows independently from other assets?

If the answer is yes to all of these questions, then the municipality accounts for the asset as a cash generating asset. If the above criteria is not met, the municipality accounts for the asset as non-cash generating asset.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non - cash generating unit is the higher of its fair value less costs to sell and its value in use. The recoverable carrying amount is higher of its fair value less cost to sell and its value in use.

Value in use of a cash generating asset is determined as the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. Value in use of a non cash generating asset is determined as the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.



**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**TRADE AND OTHER RECEIVABLES FROM**  
**2 EXCHANGE TRANSACTIONS**

**Trade receivables**

as at 30 June 2016

Service debtors

	Gross Balances R	Provision for Bad debts	Net Balance
Water and Sewerage	211 612 744	132 316 623	79 296 120
Direct Deposits	(1 368 375)	-	(1 368 375)
<b>Total</b>	<b>210 244 368</b>	<b>132 316 623</b>	<b>77 927 745</b>

**Other Receivables**

Umngeni water debtor	2 506 818	-	2 506 818
Accrued interest	85 572	-	85 572
Ilembe Enterprise	-	-	-
Outstanding deposits	2 248 647	-	2 248 647
Sundry Debtors	1 955 300	-	1 955 300
Other debtors	5 166 323	-	5 166 323
RD Cheques	-	-	-
Sundry Debtors - F/W Expenditure	25 765	20 750	5 015
Acknowledgement of debt	525 423	-	525 423
Vat receivable	16 026 392	-	16 026 392
<b>Total other Receivables</b>	<b>28 540 239</b>	<b>20 750</b>	<b>28 519 489</b>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**Total Trade and other receivables**

<b>238 784 608</b>	<b>132 337 373</b>	<b>106 447 234</b>
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as at June 2015

Service debtors

Water and Sewerage	209 575 679	88 852 177	120 723 502
Direct Deposits	(2 017 332)	-	(2 017 332)
<b>Total</b>	<b>207 558 347</b>	<b>88 852 177</b>	<b>118 706 170</b>

**Other receivables**

Umngeni water debtor	334 858	-	334 858
Accrued interest	35 524	-	35 524
Ilembe Enterprise	-	-	-
Outstanding deposits	1 512 610	-	1 512 610
Sundry Debtors	324 035	-	324 035
Other debtors	4 479 271	-	4 479 271
RD Cheques	3 685	-	3 685
Sundry Debtors - F/W Expenditure	15 015	10 000	5 015
Acknowledgement of debt	403 467	-	403 467
Vat receivable	10 731 280	-	10 731 280
<b>Other receivables</b>	<b>17 839 745</b>	<b>10 000</b>	<b>17 829 745</b>

**Total Trade and other receivables**

<b>225 398 092</b>	<b>88 862 177</b>	<b>136 535 915</b>
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**Summary of Debtors by Customer Classification**

	Residential R	Industrial/Commercial R	National and Provincial Government R
as at 30 June 2016			
Current (0 – 30 days)	9 493 628	1 381 173	2 968 797
31 - 60 Days	6 042 035	638 174	2 366 731
61 - 90 Days	6 675 022	2 276 992	1 867 850
91 - 120 Days	6 326 705	131 538	-312 006
121 - 365 Days	7 093 896	254 314	1 653 334
+ 365 Days	146 064 061	1 464 878	15 225 621
<b>Sub-total</b>	<b>181 695 347</b>	<b>6 147 070</b>	<b>23 770 327</b>
Less: Provision for doubtful debts	(132 316 623)	-	-
<b>Total debtors by customer classification</b>	<b>49 378 724</b>	<b>6 147 070</b>	<b>23 770 327</b>

at 30 June 2015

Current (0 – 30 days)	10 383 192	989 034	1 628 942
31 - 60 Days	8 758 160	2 586 947	1 438 393
61 - 90 Days	7 724 820	470 919	658 317
91 - 120 Days	6 892 410	151 941	524 142
121 - 365 Days	7 313 555	125 132	478 212
+ 365 Days	150 016 354	2 577 137	6 858 070
<b>Sub-total</b>	<b>191 088 492</b>	<b>6 901 111</b>	<b>11 586 076</b>
Less: Provision for doubtful debts	(88 852 177)	-	-
<b>Total debtors by customer classification</b>	<b>102 236 315</b>	<b>6 901 111</b>	<b>11 586 076</b>

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	2016 R	2015 R
<b><u>Water and Sewerage: Ageing</u></b>		
Current (0 – 30 days)	13 843 597	13 001 169
31 – 60 Days	9 046 940	12 783 500
61 – 90 Days	10 819 864	8 854 057
91 – 120 Days	6 146 237	7 568 493
121 – 365 Days	9 001 545	7 916 899
+ 365 Days	162 754 560	159 451 561
<b>Total</b>	<b>211 612 744</b>	<b>209 575 679</b>

**Reconciliation of the doubtful debt provision**

Balance at beginning of the year	88 862 177	75 655 325
Contributions to provision	97 678 134	40 409 419
Bad debts recovered/ Consumer Accounts Adjustments	39 279 078	(3 402 441)
Doubtful debts written off against provision	(9 806 065)	(23 800 126)
Waiver of Debt (Mandeni) applied against the provision	(83 675 951)	
<b>Balance at end of year</b>	<b>132 337 373</b>	<b>88 862 177</b>

**3 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Petty cash and cash on hand	44 000	24 000
Bank statement balance	35 872 287	31 839 096
	<b>35 916 287</b>	<b>31 863 096</b>

The Municipality has the following bank accounts: -

**Water Bank Account**

*ABSA Bank Account - Durban Branch*  
*Account Number 4057878321 - Current Account*

Cash book balance at beginning of year	1 428 369	3 862 941
Cash book balance at end of year	(167 655)	1 428 369
Bank statement balance at beginning of year	1 863 088	3 190 450
Bank statement balance at end of year	665 025	1 863 088

**Salaries Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62006302385 - Current Account*

Cash book balance at beginning of year	109 274	271 645
Cash book balance at end of year	46 022	109 274
Bank statement balance at beginning of year	109 404	271 645
Bank statement balance at end of year	46 022	109 404

**Main Bank Account**

*First National Bank Account - Durban Branch*  
*Account Number 50851211546 : Current Account*

Cash book balance at beginning of year	7 509 528	1 640 820
Cash book balance at end of year	(861 487)	7 509 528
Bank statement balance at beginning of year	7 854 676	2 397 916
Bank statement balance at end of year	10 082	7 854 676

**Revenue Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62409366722 : Current Account*

Cash book balance at beginning of year	1 677 072	2 632 166
Cash book balance at end of year	2 459 601	1 677 072
Bank statement balance at beginning of year	1 747 075	2 734 324
Bank statement balance at end of year	912 060	1 747 075

**Projects Bank Account**

*First National Bank - Durban Branch*  
*Account Number 62046718641 - Current Account*

Cash book balance at beginning of year	1 507 621	9 063 597
Cash book balance at end of year	212 664	1 507 621
Bank statement balance at beginning of year	1 507 621	9 063 597
Bank statement balance at end of year	34 002 174	1 507 621

Inter Bank Transfers



**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	2016 R	2015 R
<b><u>Investment Current Account</u></b>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9114541258 : Call Account</i>		
Bank statement balance at the beginning of the year	111 679	110 053
Bank statement balance at the end of the year	1 180	111 679
<b><u>Investment Current Account</u></b>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9183363524 : Call account</i>		
Bank statement balance at the beginning of the year	21 302	20 565
Bank statement balance at the end of the year	-	21 302
<b><u>Investment Current Account</u></b>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9095950633 : Call Account</i>		
Bank statement balance at the beginning of the year	17 502	16 896
Bank statement balance at the end of the year	26	17 502
<b><u>Investment Current Account</u></b>		
<i>ABSA Bank Account - Durban Branch</i>		
<i>Account Number 9216956711 - Call Account</i>		
Bank statement balance at the beginning of the year	11 815	21 693 144
Bank statement balance at the end of the year	-	11 815
<b><u>Investment Current Account</u></b>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 61085067093 : Call Account</i>		
Bank statement balance at the beginning of the year	10 289 249	1 095
Bank statement balance at the end of the year	19	10 289 249
<b><u>Investment Current Account</u></b>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74104346206 : Call Account</i>		
Bank statement balance at the beginning of the year	455 540	455 540
Bank statement balance at the end of the year	-	455 540
<b><u>Investment Current Account</u></b>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 74453548694 : Call Account</i>		
Bank statement balance at the beginning of the year	-	669 084
Bank statement balance at the end of the year	-	-
<b><u>Investment Current Account</u></b>		
<i>First National Bank</i>		
<i>Account Number 62313562309 : Call Account</i>		
Bank statement balance at the beginning of the year	7 626 776	778 933
Bank statement balance at the end of the year	-	7 626 776

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	2016 R	2015 R
<b><u>Investment Current Account</u></b>		
<i>First National Bank Account - Durban Branch</i>		
<i>Account Number 62129309937 : Call Account</i>		
Bank statement balance at the beginning of the year	1 222	1 160
Bank statement balance at the end of the year	-	1 222
<b><u>Investment Current Account</u></b>		
<i>Standard Bank Account - Durban Branch</i>		
<i>Account Number 293302 : Call Account</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	-	-
<b><u>Investment Current Account</u></b>		
<i>Investec Bank Account - Durban Branch</i>		
<i>Account Number 50003100564 : Call Account</i>		
Bank statement balance at the beginning of the year	-	3 201 377
Bank statement balance at the end of the year	-	-
<b><u>Investment Current Account</u></b>		
<i>Rand Merchant Bank Account</i>		
<i>Account Number XS021900669 : Call Account</i>		
Bank statement balance at the beginning of the year	222 149	210 836
Bank statement balance at the end of the year	235 700	222 149
<b><u>Petty cash and cash on hand</u></b>	44 000	24 000
<b><u>Total investments</u></b>	236 924	18 757 233
<b><u>Bank Statement Balance</u></b>	35 635 363	13 081 864
Cash book balance at beginning of year	12 255 863	17 471 168
Cashbook balance at year end	1 733 146	12 255 863

**4 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Department of Water & Sanitation (WSOG)		-
Ndwedwe Local Municipality (Town Development)	6 813 833	217 256
Department of Water & Sanitation (Emergency Drought Relief)	1 849 693	20 034 984
Department of Cooperative Governance & Traditional Affairs (MIG)	60 856 818	11 905 884
Department of Water & Sanitation (MWIG)	20 762 391	14 787 180
Department of Water Affairs (RBIG/LTBWSS)	56 722 601	27 240 702
<b>Total Other Debtors</b>	<b>147 005 337</b>	<b>74 186 007</b>

**5 OTHER NON-CURRENT FINANCIAL ASSETS**

Investments in municipal entity - Enterprise Ilembe Development Agency	100	100
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**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 30 June 2016

	2016 R	2015 R
<b>6 INVENTORIES</b>		
Opening balance of inventories:	14 941 091	7 078 439
Consumable stores - at Net Replacement Cost	14 523 286	6 815 465
Water	417 804	262 974
Movements:	(4 331 830)	7 862 652
Consumable stores	(4 375 019)	7 707 821
Water	43 188	154 830
Closing balance of inventories:	10 609 260	14 941 091
Consumable stores	10 148 268	14 523 286
Water	460 993	417 804

**7 NON-CURRENT RECEIVABLES**

Conditional Staff Bursaries	271 808	236 494
Less: Provision for bad debts	(236 494)	(236 494)
<b>Total</b>	<b>35 314</b>	<b>-</b>

These loans were as a result of bursaries granted to certain staff members as part of a bursary scheme approved by council in previous financial years.

**8 INVESTMENTS**

**Financial Instruments**

ABSA zero coupon investment	24 419 710	22 982 423
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This investment has been ceded as security against the long term loan from ABSA disclosed in Note 15

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 30 June 2016

**10 PROPERTY, PLANT AND EQUIPMENT**

**10.1 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure Water & Sewer	Assets Under Construction	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
<b>As at 1 July 2015</b>	<b>3 242 908</b>	<b>11 144 598</b>	<b>1 096 340 743</b>	<b>388 171 792</b>	<b>6 080 420</b>	<b>28 070 501</b>	<b>1 533 050 758</b>
Cost/Revaluation	3 242 908	18 438 825	1 408 106 012	388 171 792	18 165 685	41 779 100	1 877 904 322
Correction of prior year error (note 31)	-	(426 815)	-39 477 691	-	39 194	421 560	(39 443 752)
Accumulated depreciation and impairment losses	-	(6 867 411)	(272 287 576)	-	(12 124 458)	(14 130 160)	(305 409 604)
<b>Acquisitions</b>	-	-	-	-	795 521	1 513 621	2 309 142
Capital under Construction	-	-	-	497 238 166	343 002	-	497 581 168
Depreciation	-	(781 910)	(47 698 071)	-	(1 744 938)	(13 521 482)	(63 746 402)
<b>Carrying value of disposals</b>	-	-	(68 975)	-	(932 781)	(1 025 634)	(2 027 391)
Cost/Revaluation	-	-	(796 375)	-	(4 165 143)	(3 211 760)	(8 173 278)
Accumulated depreciation and impairment losses	-	-	727 400	-	3 232 361	2 186 126	6 145 887
<b>Impairment loss/Reversal of impairment loss</b>	-	-	(4 042 179)	-	(6 450)	-	(4 048 629)
Transfers	-	-	146 573 535	(146 916 537)	-	-	(343 002)
Other movements (change in accounting estimates)	-	-	-	-	-	-	-
<b>As at 30 June 2016</b>	<b>3 242 908</b>	<b>10 362 688</b>	<b>1 191 105 054</b>	<b>738 493 421</b>	<b>4 534 774</b>	<b>15 037 005</b>	<b>1 962 775 644</b>
Cost/Revaluation	3 242 908	18 438 825	1 553 883 172	738 493 421	15 178 259	40 502 521	2 369 739 106
Accumulated depreciation and impairment losses	-	(8 076 136)	(362 778 117)	-	(10 643 485)	(25 465 516)	(406 963 254)

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**11 HERITAGE ASSETS**

**Moveable Objects      Total**

**11,1 Reconciliation of carrying value**

**R**

**As at 1 July 2015**

Cost

Accumulated impairment losses

<b>205 578</b>	<b>205 578</b>
205 578	205 578
-	-

**As at 30 June 2016**

Cost

Accumulated impairment losses

<b>205 578</b>	<b>205 578</b>
205 578	205 578
-	-

**11,2 Reconciliation of carrying value**

**Moveable Objects**  
**R**

**Total**  
**R**

**as at July 2014**

Cost

Accumulated impairment losses

<b>205 578</b>	<b>205 578</b>
205 578	205 578
-	-

**as at June 2015**

Cost

Accumulated impairment losses

<b>205 578</b>	<b>205 578</b>
205 578	205 578
-	-

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

**12 INTANGIBLE ASSETS**

	Licenses	Computer Software	Total
	R	R	R
<b>12 Reconciliation of carrying value</b>			
<b>As at 1 July 2015</b>	<b>2 665 864</b>	<b>2 167 932</b>	<b>4 833 796</b>
Cost	2 485 590	7 820 079	10 305 669
Prior year error	254 772		254 772
Accumulated amortisation and impairment losses	(74 497)	(5 652 148)	(5 726 645)
Acquisitions	2 433 870		2 433 870
Other Movements	-	-	-
Amortisation	(1 885 086)		(1 885 086)
Carrying value of disposals	11 001	-	11 001
Cost	67 100	-	67 100
Accumulated amortisation	(56 099)	-	(56 099)
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
<b>As at 30 June 2016</b>	<b>3 203 648</b>	<b>2 167 932</b>	<b>5 371 579</b>
Cost	4 852 360	7 820 079	12 672 439
Accumulated amortisation and impairment losses	(1 648 712)	(5 652 148)	(7 300 860)

**12 Reconciliation of carrying value**

	Licenses	Computer Software	Total
	R	R	R
<b>As at 1 July 2014</b>	<b>2 129 936</b>	<b>3 880 728</b>	<b>6 010 666</b>
Cost	2 204 434	7 818 752	10 023 186
Accumulated amortisation and impairment losses	(74 497)	(3 938 024)	(4 012 521)
Acquisitions	281 156		281 156
Other Movements		1 327	1 327
Amortisation	-	(1 704 782)	(1 704 782)
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Other movements	-	-	-
<b>As at 30 June 2015</b>	<b>2 411 093</b>	<b>2 167 932</b>	<b>4 579 024</b>
Cost	2 485 590	7 820 079	10 305 669
Accumulated amortisation and impairment losses	(74 497)	(5 652 148)	(5 726 645)



**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As at 30 June 2016

	IDM 2016 R	IDM 2015 R
<b>13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	64 812 230	102 846 537
Consumer debtors with credit balances	7 236 456	4 299 669
Staff leave accrual	11 150 386	10 486 456
Outstanding Payments	34 826 489	345 279
RD Cheques	42 300	
Other creditors	217 291 187	139 688 896
13th Cheque	4 428 484	4 226 942
Consumer water deposits	5 185 167	4 993 192
<b>Total creditors</b>	<b>344 972 698</b>	<b>266 886 973</b>

The fair value of trade and other payables approximates their carrying amounts.

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**14 TRADE AND OTHER PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Unspent Conditional Grants and Receipts	1 166 610	1 166 610
Provincial Township Establishment	2 915 980	-
Water Services Operating Grant	-	2 267 171
Expanded Public Works Programme	-	5 468 894
National Disaster Management Center - Drought Relief Grant	104 891	-
Rural Transport Service Grant	300 000	864 846
Grants - Other	4 487 482	9 767 522
<b>Total Unspent Conditional Grants and Receipts</b>		
Non-current unspent conditional grants and receipts	4 487 482	9 767 521
Current portion of unspent conditional grants and receipts		

See Note 21 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

**15 BORROWINGS**

Development Bank of South Africa	54 611 487	60 594 635
ABSA	30 000 000	30 787 808
	<b>84 611 487</b>	<b>91 382 443</b>
Less : Current portion transferred to current liabilities	6 652 583	1 516 041
Development Bank of South Africa	5 864 775	1 516 041
ABSA	787 808	-
<b>Non current portion of borrowings</b>	<b>77 958 904</b>	<b>89 866 402</b>

**Development Bank of South Africa**

Bear interest at rates between 9.02% and 11.04% per annum and are repayable every six months with the last repayment due on 30 September 2025.

**ABSA Loan**

Bears interest at 10.8% per annum, interest is paid quarterly and the loan is repayable in 2025.

Refer to Appendix A for more detail on borrowings.

**16 FINANCE LEASE LIABILITY**

As at 30 June 2016	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	17 579 475	2 115 699	15 463 776
Within two to five years	8 277 303	297 157	7 980 147
	<b>25 856 778</b>	<b>2 412 855</b>	<b>23 443 923</b>
Less: Amount due for settlement within 12 months (current portion)			15 463 776
			<b>7 980 147</b>

The leases are for a variety of motor vehicles and computers equipment that are utilised in the course of performing the Municipality's powers and functions.

Motor vehicle leases are for three years. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2015 and June 2017. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.

Computer equipment leases are for three years. The interest rate charged is linked to the prime rate. The termination dates vary between June 2014 and May 2017. The leases are repaid monthly and include maintenance and insurance. At termination of the leases the computer equipment revert to the lessor.

as at 30 June 2015	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	10 814 535	2 388 165	8 426 370
Within two to five years	29 729 744	6 532 880	23 196 864
Adjustment	579 493		579 493
	<b>41 123 772</b>	<b>8 921 045</b>	<b>32 202 727</b>
Less: Amount due for settlement within 12 months (current portion)			8 426 370
			<b>23 776 357</b>

The leases are for a variety of motor vehicles that are utilised in the course of performing the Municipality's powers and functions. The leases are for five years and 240 000 kilometres. The interest rates vary between 9.0% and 15.5%. The termination dates vary between November 2013 and November 2015. The leases are repaid monthly and include maintenance and make provision for the payment of excess distance travelled where applicable. At the termination of the leases the vehicles revert to the lessor.



ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	IDM 2016 R	IDM 2015 R
<b>17 SERVICE CHARGES</b>		
Sale of water	95 899 055	103 577 824
Sewerage and sanitation charges	59 104 375	50 689 218
Revenue Forgone	(9 855 513)	(9 266 144)
<b>Total Service Charges</b>	<b>145 147 918</b>	<b>145 000 897</b>
<b>18 RENTAL OF FACILITIES AND EQUIPMENT</b>		
iLembe Auditorium	14 221	17 756
Rental of facilities	-	-
<b>Total rentals</b>	<b>14 221</b>	<b>17 756</b>
<b>19 INTEREST EARNED - BANK BALANCES</b>		
Bank	4 768 538	3 614 065
<b>20 INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
Interest on debtors	18 195 506	14 393 406
<b>21 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	338 089 801	290 468 000
Municipal Infrastructure Grant	238 540 934	200 084 058
Other Government Grants and Subsidies	326 300 121	222 107 830
<b>Total Government Grant and Subsidies</b>	<b>902 930 856</b>	<b>712 659 888</b>
<b>21,1 Equitable Share</b>		
Balance unspent at beginning of year	-	-
Current year receipts	338 089 801	290 468 000
Conditions met - transferred to revenue	(338 089 801)	(290 468 000)
	-	-
<b>21,2 Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	-	3 193 174
Current year receipts	189 590 000	184 985 000
Conditions met - transferred to revenue	(238 540 934)	(200 084 058)
Adjustments and Transfers	(11 905 885)	11 905 885
<b>Conditions met - balance remain in transfer payments debtors (see note 4)</b>	<b>-60 856 819</b>	<b>-</b>
Adjustments and transfers relate to amounts owed by COGTA, for which a debtor has been created (see note 4)		

ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	IDM 2016 R	IDM 2015 R
<b>21,3 Other Grants</b>		
Balance unspent at beginning of year	864 846	992 800
Current year receipts	905 637	-
Conditions met - transferred to revenue	(1 470 483)	(127 954)
Adjustments and Transfers	-	-
Conditions still to be met - remain liabilities (see note 14)	<u>300 000</u>	<u>864 846</u>
<b>21,4 SECTION 78 GRANT</b>		
Balance unspent at beginning of year	-	200 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(200 000)
Conditions met	<u>-</u>	<u>-</u>
<b>21,5 WATER SERVICE OPERATING GRANT</b>		
Balance unspent at beginning of year	-	9 035 267
Current year receipts	4 000 000	-
Conditions met - transferred to revenue	(1 084 020)	(8 743 823)
Adjustments and Transfers	-	(291 445)
Conditions still to be met - remain liabilities (see note 14)	<u>2 915 980</u>	<u>-</u>
<b>21,6 WATER SERVICE OPERATING GRANT - SUNDUMBILI</b>		
Balance unspent at beginning of year	-	-
Current year receipts	-	4 500 000
Conditions met - transferred to revenue	-	(4 500 000)
Conditions met	<u>-</u>	<u>-</u>
<b>21,7 REGIONAL BULK INFRASTRUCTURE GRANT - LTBWSS</b>		
Balance unspent at beginning of year	-	-
Current year receipts	100 977 074	57 180 362
Conditions met - transferred to revenue	(141 075 826)	(75 351 400)
Adjustments and Transfers	(16 623 850)	18 171 038
Conditions met - balance remain in transfer payments debtors (see note 4)	<u>-56 722 601,04</u>	<u>-</u>
Adjustments and transfers relate to amounts owed by the Department of Water Affairs, for which a debtor has been created (see note 4), amounts received pertaining to debtors for the previous financial year.		
<b>21,8 RURAL TRANSPORT SERVICE</b>		
Balance unspent at beginning of year	-	287 488
Current year receipts	2 116 000	2 120 000
Conditions met - transferred to revenue	(2 003 058)	(2 387 488)
Adjustments and Transfers	(8 050)	-
Conditions still to be met - remain liabilities (see note 14)	<u>104 891</u>	<u>-</u>
<b>21,9 DISASTER MANAGEMENT GRANT (DBSA)</b>		
Balance unspent at beginning of year	-	165 476
Current year receipts	-	-
Conditions met - transferred to revenue	-	(165 476)
Conditions still to be met - remain liabilities (see note 14)	<u>-</u>	<u>-</u>

ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	IDM 2016 R	IDM 2015 R
<b>21,10 SHARED SERVICES GRANT (DPSS)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	250 000	1 000 000
Conditions met - transferred to revenue	(250 000)	(1 000 000)
Adjustments and Transfers	-	-
Conditions met	-	-
<b>21,11 MUNICIPAL WATER INFRASTRUCTURE GRANT</b>		
Balance unspent at beginning of year	-	517 772
Current year receipts	125 366 820	39 000 000
Conditions met - transferred to revenue	(146 129 211)	(54 304 952)
Adjustments and Transfers	-	14 787 180
Conditions met - balance remain in transfer payments debtors (see note 4)	(20 762 391)	-
Adjustments and transfers relate to debtors owed by Department of water and sanitation (see note 4)		
<b>21,12 PROVINCIAL TOWNSHIP ESTABLISHMENT</b>		
Balance unspent at beginning of year	1 166 610	1 319 805
Current year receipts	-	-
Conditions met - transferred to revenue	-	(153 195)
Adjustments and Transfers	-	-
Conditions still to be met - remain liabilities (see note 14)	1 166 610	1 166 610
<b>21,13 Municipal Governance &amp; Admin</b>		
Balance unspent at beginning of year	-	198 015
Current year receipts	-	-
Conditions met - transferred to revenue	-	(87 079)
Adjustments and Transfers	-	(110 936)
Conditions met	-	-
<b>21,14 CORRIDOR - NORTH URBAN DEVELOP PLAN PHASE 2</b>		
Balance unspent at beginning of year	-	535 864
Current year receipts	-	-
Conditions met - transferred to revenue	-	(535 864)
Adjustments and Transfers	-	-
Conditions met	-	0
<b>21,15 RURAL HOUSING GRANT</b>		
Balance unspent at beginning of year	-	4 000 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(3 996 000)
Adjustments and Transfers	-	(4 000)
Conditions still to be met	-	-

ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

21,16 KWADUKUZA MUNICIPAL INFRASTRUCTURE GRANT

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Adjustments and Transfers  
Conditions met

IDM 2016 R	IDM 2015 R
-	-
6 100 223	19 939 656
(5 417 819)	(16 130 639)
(682 404)	(3 809 017)
-	-

Adjustments and transfers relate to amount declared as vat output

21,17 FINANCIAL MANAGEMENT GRANT

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Adjustments and Transfers  
Conditions met

-	141 332
1 250 000	1 250 000
(1 148 086)	(1 391 332)
(101 914)	-
-	-

Adjustment for non vatable items

21,19 EXPANDED PUBLIC WORKS PROGRAMME

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Adjustments and Transfers  
Conditions met

2 267 171	2 349 000
1 536 000	2 218 000
(537 370)	(2 299 629)
(3 265 801)	-
0,00	2 267 171

An amount of R 3,2m reverted to the National Revenue Fund after the application for a roll over as per section 20(1) of the Division was declined.

21,20 MUNICIPAL SYSTEMS IMPROVEMENT GRANT

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Adjustments and Transfers  
Conditions still to be met - remain liabilities (see note 14)

-	-
940 000	934 000
-	(934 000)
-	-
940 000	0

21,21 ENVIRONMENTAL MANAGEMENT FRAMEWORK

Balance unspent at beginning of year  
Conditions met - transferred to revenue  
Adjustments and Transfers  
Conditions met

-	24 459
-	-
-	(24 459)
-	0

21,22 NDWEDWE TOWN DEVELOPMENT

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Adjustments and Transfers  
Conditions met - balance remain in transfer payments debtors (see note 4)

-	507 707
9 668 990	5 383 726
(14 458 617)	(5 358 499)
(2 024 206)	(532 934)
-6 813 833	-

Amount owed by Ndwedwe Local Municipality

21,23 CUSTOMER SATISFACTION SURVEY

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Adjustments and Transfers  
Conditions met

-	26 958
-	-
-	-
-	(26 958)
-	-

ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

21,24 EMERGENCY DROUGHT RELIEF - DEPARTMENT OF WATER AND SANITATION

	IDM 2016 R	IDM 2015 R
Balance unspent at beginning of year	-	-
Current year receipts	-	10 693 210
Conditions met - transferred to revenue	-	(30 728 194)
Adjustments and Transfers	-	20 034 984
Conditions met	-	-

21,25 MASSIFICATION - MANDENI WATER CONSERVATION AND DEMAND MANAGEMENT

	IDM 2016 R	IDM 2015 R
Balance unspent at beginning of year	-	-
Current year receipts	-	9 931 000
Conditions met - transferred to revenue	-	(9 931 000)
Adjustments and Transfers	-	-
Conditions met	-	-

21,26 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (COGT/NDMC)

	IDM 2016 R	IDM 2015 R
Balance unspent at beginning of year	5 468 894	-
Current year receipts	(5 468 894)	9 250 000
Conditions met - transferred to revenue	-	(3 781 106)
Adjustments and Transfers	-	-
Conditions met	0	5 468 894

21,27 DROUGHT RELIEF GRANT - NATIONAL DISASTER MANAGEMENT GRANT (DWS)

	IDM 2016 R	IDM 2015 R
Balance unspent at beginning of year	4 054 504	-
Current year receipts	(5 205 200)	-
Conditions met - transferred to revenue	(698 998)	20 034 984
Adjustments and Transfers	(1 849 693)	20 034 984
Conditions met - balance remain in transfer payments debtors (see note 4)	-	-

Adjustments and transfers relate to amounts owed by the Department of Water and Sanitation, for which a debtor has been created.

22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

	IDM 2016 R	IDM 2015 R
22,1 Other income	262 888	148 071
Tender Documents	123 815	226 809
Telephone recovered	978 849	925 297
Clearance certificates	3 421 038	-
Private developers	1 531 387	1 464 156
Siza Water Concession	-	2 706
Insurance proceeds	2 256 670	1 833 251
Shared Service	1 166 764	1 289 112
Enterprise Ilembe	464 609	-
LG Seta Income	1 312	-
New connections	-	-
Vat Refunds	247 750	1 323 453
Other income	10 455 083	7 212 856

23 EMPLOYEE RELATED COSTS

	IDM 2016 R	IDM 2015 R
Employee related costs - Salaries and Wages	112 748 990	107 184 213
Employee related costs - Contributions for UIF, pensions and medical aids	22 796 879	20 654 896
Travel, motor car, accommodation, subsistence and other allowances	4 681 415	3 977 579
Housing benefits and allowances	1 323 389	758 426
Overtime payments	6 490 264	6 283 619
Performance and other bonuses	8 495 067	8 251 511
Long-service awards	1 272 520	1 592 129
Other employee related costs	4 507 337	4 710 840
Employee Related Costs	162 315 862	153 413 213

There were no advances to employees.

	IDM 2016 R	IDM 2015 R
Remuneration of the Municipal Manager	1 036 486	82 474
Annual Remuneration	134 957	11 246
Travel, motor car, accommodation, subsistence	1 785	149
Contributions to UIF, Medical and Pension Funds and other allowances	62 480	7 810
13th Cheque Provision	1 235 708	101 679
Total	-	-

The Municipal Manager position was filled in June 2015

	IDM 2016 R	IDM 2015 R
Remuneration of the Chief Financial Officer	953 230	899 274
Annual Remuneration	209 246	198 401
Travel, motor car, accommodation, subsistence	1 785	1 785
Contributions to UIF, Medical and Pension Funds and other allowances	1 164 261	1 099 459
Total	-	-

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Corporate Governance R
As at 30 June 2016	1 137 630	769 027	1 098 611
Annual Remuneration	-	254 603	-
Travel, motor car, accommodation, subsistence and other allowances	1 785	76 765	1 785
Contributions to UIF, Medical and Pension Funds	1 139 415	1 100 395	1 100 395
Total	-	-	-

ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

		IDM 2016	IDM 2015
	R	R	R
June 2015			
Annual Remuneration	274 169	725 498	1 016 113
Travel, motor car, accommodation, subsistence and other allowances	-	240 192	20 313
Contributions to UIF, Medical and Pension Funds	446	72 521	1 785
<b>Total</b>	<b>274 615</b>	<b>1 038 210</b>	<b>1 038 210</b>

#### 24 REMUNERATION OF COUNCILLORS

Mayor	854 676	791 402
Deputy Mayor	758 397	700 142
Speaker	457 790	413 360
Executive Committee Members	1 830 606	1 658 603
Councillors' Allowances	5 508 684	4 456 769
Councillors' pension and medical aid contributions	303 744	569 310
<b>Total Councillors' Remuneration</b>	<b>9 713 898</b>	<b>8 589 586</b>

#### In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker has use of the Council owned vehicle for official duties. The Mayor has 2 full-time bodyguards.

#### 25 DEPRECIATION, IMPAIRMENT AND AMORTISATION EXPENSE

Depreciation	63 746 402	(55 570 510)
Impairment of Assets	4 048 629	(83 655 289)
Intangible assets Amortisation	1 885 086	1 704 782
<b>Total Depreciation, Impairment and Amortisation</b>	<b>69 680 117</b>	<b>(137 521 017)</b>

The impairment recognized mainly relates to impairment of infrastructure assets due to the impact of drought.

#### 26 FINANCE COSTS

Borrowings	6 019 226	8 524 798
Leases	2 428 583	2 722 135
<b>Total Finance Costs</b>	<b>8 447 809</b>	<b>11 246 933</b>

#### 27 BULK PURCHASES

Water	62 752 475	74 440 680
<b>Total Bulk Purchases</b>	<b>62 752 475</b>	<b>74 440 680</b>

#### 28 CONTRACTED SERVICES

<b>Contracted services for:</b>		
Lease of Machinery & Equipment	-	380 201
Plant Hire	30 926 924	31 116 392
Security	20 555 719	16 259 639
Salga games	5 856 628	4 660 313
Rental of Smart Boxes	183 320	20 693
Meter reading contractors	27 600	149 835
Fax & Copier rentals	2 965 586	2 530 358
Lease of Vehicles - Maintenance	6 845 293	7 391 455
Rental of Buildings	15 720	219 347
Vehicle Hire	719 727	1 966 602
Insurance	1 743 687	2 021 836
	<b>69 840 204</b>	<b>66 716 671</b>

#### 29 GRANT EXPENSES

Grant Expenditure	28 879 681	34 217 638
	<b>28 879 681</b>	<b>34 217 638</b>
Financial Managemnt Grant Expenditure	1 251 519	1 359 053
Rams Grant Operating Expenditure	1 921 807	2 220 349
Provincial Township Establishment Grant	-	134 381
Municipal Government and Administration Grant	-	87 079
Spatial Development Strategy Grant	-	377 960
Development Planning & Shared Services Expenditure	100 324	-
Rural Household Grant	-	3 505 263
Maphumulo HH Sanitation	8 672 816	9 753 554
Mandeni Ward 16 HH Sanitation	7 989 479	6 913 678
Nolwedwe HH Sanitation	8 904 737	9 866 321



ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	IDM 2016 R	IDM 2015 R
<b>30 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	1 422 403	1 866 989
Audit fees	2 524 000	1 913 681
Bank charges	218 140	196 170
Cleaning	948 649	1 170 855
Conferences and delegations	25 184	56 150
Entertainment	1 067 703	1 133 584
Fuel and oil	10 802 318	10 809 561
Insurance	-	1 745
Legal expenses	322 668	350 231
LG Seta Expenditure	126 654	1 294 055
Licence fees - vehicles	49 643	29 923
Membership fees	1 924 850	1 768 521
Postage	1 779 640	1 590 160
Printing and stationery	1 025 834	889 342
Professional fees	1 187 675	3 057 144
Disaster Management	1 638 260	1 600 301
IDP & Planning	24 960	721 767
Property rates	617 991	658 549
Commission: Agency	1 069 122	330 864
Special Projects - Youth, Gender, HIV	538 132	946 705
Sports Development	577 901	523 066
Telephone cost	3 081 667	3 169 200
Training	1 936 713	2 036 943
Travel and subsistence	2 243 555	2 887 777
Uniforms & overalls	1 603 082	1 813 490
Water and Sanitation - Siza Water Concession area	1 993 118	1 776 976
Electricity & Water	22 370 328	18 518 142
Local Economic Development Projects	19 573 096	16 708 146
Shared Services	1 384 063	2 135 121
Public Participation	536 272	2 498 468
Siza Water concession contract monitoring fee	2 332 369	442 369
Other	4 487 553	7 024 617
	<b>89 453 543</b>	<b>89 921 612</b>
<b>31 CORRECTION OF PRIOR YEAR ERRORS AND CHANGE IN ACCOUNTING POLICY</b>		
Property, plant and equipment		-
Change in the remaining useful life of assets that does not meet the requirements of a change in estimate	254 772	(40 293 148)
Trade and other debtors		
Consumer Debtors adjustment as a result of clearing unallocated deposits	(3 769 483)	97 271
Other debtors mainly relates to enterprise ilembe balances alignment with IDM and staff recoveries	102 245	(3 492 893)
Stock Adjustments - Reversal of NRV for the prior year	396 873	1 579 824
Trade and other receivables from non exchange transactions		
Reversal DWS INV516 - cost not accepted as part of Drought Intervention, restatement of debtor balance	(1 048 038)	-
Intangible Assets	-	1 327
Provision		
adjustment to the 13th Cheque provision for December 2013 to June 2014	-	(3 137 970)
Non Current Finance Lease Liability		
Correction of expenditure previously recognised as a lease liability, reversal of operational les	306 208	340 325
Trade and other Creditors		
Mainly transfer of prescribed creditors to revenue and reversal of invalid orders raised as accruals	391 988	4 029 168
Other	46 492	(9 546)
	<b>(3 318 943)</b>	<b>(40 469 143)</b>



ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	IDM 2016 R	IDM 2015 R
<b>32 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	419 779 531	488 751 999
Adjustment for:-		
Depreciation and amortisation	69 680 117	(137 521 017)
Transfers to / from accumulated surplus/(deficit)	-	-
Forex Loss	422 371	(15 392)
Loss on disposal of PPE	1 127 527	6 245
Contribution to provisions - non-current	97 678 134	40 409 419
Contribution to provisions - current	1 507 006	1 592 129
Finance costs	8 447 809	11 246 933
Prior Year Adjustments	(3 318 943)	(40 469 143)
Investment Income	(4 768 538)	(3 614 065)
Bad debts written off	(9 806 065)	(23 800 126)
<b>Operating surplus before working capital changes:</b>	<b>580 748 950</b>	<b>336 586 982</b>
Increase/ (decrease) in inventories	4 331 830	(7 862 652)
Increase/(decrease) in trade receivables	30 088 680	(26 458 841)
(Increase)/decrease in other receivables	(72 819 331)	(54 739 498)
Increase in conditional grants and receipts	(5 280 040)	(13 707 597)
(Decrease) increase in trade payables	78 085 725	85 548 587
Other assets (Bad debts recovered)	-	334 036
Other liability	-	(23 720)
<b>Cash generated by/(utilised in) operations</b>	<b>615 155 815</b>	<b>319 677 297</b>

**33 CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR**

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	35 916 287	31 863 096
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>35 916 287</b>	<b>31 863 096</b>

**UNAUTHORISED, IRREGULAR,  
FRUITLESS AND WASTEFUL**

**34 EXPENDITURE**

**34.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Unauthorised expenditure current year	62 514 568	24 877 095
Certified as irrecoverable and written off by council in terms of MFMA section 32	(62 514 568)	(24 877 095)
	-	-

**Incident**

Unauthorized expenditure that was written off in the current year was as a result of municipal infrastructure grant and municipal water infrastructure grant originally planned for 2016/17 but were brought forward and differing accounting methods between the municipality and the Department of Cooperative Governance and Traditional Affairs and the Department of Water and Sanitation respectively

**Action taken**

Council has certified the unauthorised expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA.

**34.2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure

Fruitless and wasteful expenditure current year	236 222	130 296
Certified as irrecoverable and written off by Council in terms of MFMA section 32/Recovered from responsible officials	(236 222)	(130 296)
	-	-

**Incident**

Fruitless and wasteful expenditure of R225 472 arose as a result of late payments which resulted in the interest penalties that were as a result of cash flow constraints during the drought period. An amount of R 750 in respect of late cancellation of the Risk workshop whilst the service provider had already delivered the chairs and tables at the venue. The amount of R 10 000 due to user department that changed the booking after confirmation was made by service provider for the 2015 SALGA games.

**Action taken**

Council has certified the fruitless and wasteful expenditure as irrecoverable and written it off in terms of section 32(2) of the MFMA/ the balance was recovered from responsible officials

ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

	IDM 2016 R	IDM 2015 R
<b>34,3 Irregular expenditure</b>		
Reconciliation of irregular expenditure		
Irregular expenditure current year	1 162 385	2 590 940
Certified by council as irrecoverable and written off in terms of MFMA section 32	(1 162 385)	(2 590 940)
Irregular expenditure awaiting condonement	-	-
<b>Incident</b>		
The irregular expenditure is a result of overtime paid that exceed limitations/restrictions of the BCEA		
<b>Action taken</b>		
The irregular expenditure was certified and written off by council.		
<b>34,4 Deviations</b>		
Deviations were approved in terms of regulation 36 of the Supply Chain Management Policy:		
Total value	9 748 552	12 264 957
	<u>9 748 552</u>	<u>12 264 957</u>
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE</b>		
<b>35 MANAGEMENT ACT</b>		
<b>35,1 Contributions to organised local government</b>		
Opening balance	485 283	
Council subscriptions	1 714 103	1 714 103
Amount paid - current	(1 829 276)	(1 228 820)
Balance unpaid (included in payables)	<u>370 111</u>	<u>485 283</u>
<b>35,2 Audit fees</b>		
Current year audit fee	2 524 000	1 913 681
Amount paid - current year	(2 524 000)	(1 913 681)
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
<b>35,3 VAT</b>		
VAT input receivables and VAT output payables are shown in note 13. All VAT returns have been submitted by the due date throughout the year.		
<b>35,4 PAYE and UIF</b>		
Opening balance	1 826 613	1 588 164
Current year payroll deductions	25 349 950	23 284 210
Amount paid - current year	(23 124 943)	(21 457 597)
Amount paid - previous years	(1 826 613)	(1 588 164)
Balance unpaid (included in payables)	<u>2 225 007</u>	<u>1 826 613</u>
The balance represents PAYE and UIF deducted in June 2016 payroll. These amounts were paid in July 2016.		
<b>35,5 Pension and Medical Aid Deductions</b>		
Opening balance	2 794 089	1 278 308
Current year payroll deductions and Council Contributions	36 346 979,29	32 592 204
Amount paid - current year	(33 199 206)	(29 798 115)
Amount paid - previous years	(2 794 089)	(1 278 308)
Balance unpaid (included in payables)	<u>3 147 774</u>	<u>2 794 089</u>
The balance represents Pension & Medical aid deducted in May 2016 payroll. These amounts were paid in June 2016 except for medical and RA which were paid within the month of deduction which is July 2016.		
<b>35,6 Councillor's arrear consumer accounts</b>		
Councillor NG Mthethwa	663	-
Councillor A Badul	-	363
Councillor M/SC Motale	-	5 395
Councillor M/P Ntuli	-	300
Councillor JM Mkhize	-	484
Councillor RN Pakkies	-	108
Total Councillor Arrear Consumer Accounts	<u>-</u>	<u>6 650</u>

**ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016**

	IDM 2016 R	IDM 2015 R
<b>35,6 Material losses</b>		
<b>35.6.1 Asset impairment (losses)/ Reversal</b>	(4 048 629)	83 701 461
The current year impairment is a result of ageing infrastructure due to the impact of drought		
<b>35.6.2 Debt impairment (losses)</b>	(9 806 065)	(23 800 126)
Although the revenue collection has slightly improved compared to the prior year, council has incurred material debt impairment losses written off against the provision for bad debts. This is mainly as a result of restricted inactive accounts that are accumulating interest with no corresponding payments, pensioner accounts and deceased consumer accounts that are accumulating interest. This write-off has resulted in a decrease in consumer debtors and provision for bad debts.		
<b>35.6.3 Waiver of right relating to Financial Asset</b>	(83 675 951)	
An amount of R 83 675 951 is distinguished from a write off of debt but is as per the waiver of the contractual right to collect debt by iLembe District Municipality from the Mandeni Community due to violent protests that erupted just before the local government election.		

In terms of paragraph 68 (a) of GRAP 104, an entity shall derecognise a financial asset only when: (a) the contractual rights to the cash flows from the financial asset expire, are settled or waived;  
Paragraph 69 of the same GRAP standard states that an entity may waive the right to receive contractual receipts under the terms of an existing arrangement.

<b>35,7</b>	<b>Percentage distribution</b>		
<b>Distribution Losses</b>			
<b>Units lost (kilolitres)</b>			
Illegal connections and other	30%	2 308 757	2 919 427
Main leaks	49%	3 831 350	4 091 162
Reservoir overflows	0%	27 367	29 223
Service connection leaks	21%	1 614 640	1 724 132
Units lost (kilolitres)	100%	<u>7 782 114</u>	<u>8 763 944</u>
Units lost (sales price per kilolitre - rands)		75 071 415	77 824 205
Units lost (purchase price per kilolitre - rands)		28 007 562	32 672 380
Units lost (percentage)		44,53%	43,89%

The distribution losses are mainly due to illegal connections, main leaks (ageing infrastructure), reservoir overflows and service connection leaks. A five year strategic master plan for the reduction of non revenue water has been adopted by the municipality to address this problem.

**35,8 Non-Compliance with Section 65 (2) of the Municipal Finance Management Act - Payments of creditors within 30 days from date of receipt**

Although the average creditors payment days ratio was 27 days as at 30 June 2016, due to the severely constrained cash flows arising mainly from the severe on going drought, from time to time, the municipality had challenges in meeting the 30 days legislated payment terms. This resulted in an aggregate of 19.1% of invoices processed not paid on time during the 2015/16 financial year.

The equivalent rand value of this is shown in the table below:

Total Value of invoices processed	866 462 153	-
Value of invoices processed and paid within 30 days	700 967 882	-
Value of invoices processed but not paid within 30 days	<u>165 494 271</u>	
Percentage	19%	

**35,9 Material Forex Losses**

Total Forex Liability as at 30 June 2016	1 962 805
Net Cumulative Forex Losses	(422 371)
Percentage losses	-22%

The material forex losses arising from the Microsoft License forex liability was due to unexpected adverse fluctuations in the rand dollar exchange rate

As at 30 June 2016, the rand to dollar exchange rate closed at R 15.03

**36 CAPITAL COMMITMENTS**

**36,1 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	<b>568 840 542</b>	<b>232 953 997</b>
Infrastructure	568 840 542	232 953 997
Community	-	-
<b>- Approved but not yet contracted for</b>	<b>1 575 118 885</b>	<b>2 271 997 991</b>
Infrastructure	1 575 118 885	2 271 997 991
<b>Total</b>	<b><u>2 143 959 427</u></b>	<b><u>2 504 951 988</u></b>
This expenditure will be financed from:		
- External Loans	1 650 914 296	2 005 994 621
- Government Grants	21 093 942	27 006 179
- Own resources	471 951 188	471 951 188
- Funding still to be sourced	<u>2 143 959 426</u>	<u>2 504 951 988</u>

**37 EMPLOYEE BENEFITS INFORMATION**

**37,1 Defined contribution plan**

The following are defined contribution plans: Natal Joint Municipal Pension Fund, National Treasury, Government Employee Pension Fund, SALA Pension Fund and Municipal Councillors Pension Fund. These contributions have been expensed.

**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

IDM 2016 R	IDM 2015 R
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**37,2 Other Long-term benefit plan**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the municipality's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in surplus or deficit in the period in which they arise.

The independent valuers carried out a statutory valuation as at 30 June 2016.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8,83%	8%
Inflation rate	6,53%	7%
Net effective discount rate	1,21%	1%
Benchmark inflation (equal to salary inflation)	7,53%	7%
Average retirement age	65	63
Mortality during employment	SA 85-90 ultimate	SA 85-90 ultimate
Percentage of in-service members withdrawing before retirement:		
Age 20	40%	40%
Age 30	25%	25%
Age 40	12%	12%
Age 50	4%	4%
Age 55+	2%	2%

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

<b>7 977 161</b>	<b>7 271 627</b>
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**EMPLOYEE BENEFITS (continued)**

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	7 271 627	6 685 000
Current service cost	822 374	771 000
Interest cost	556 104	550 000
Benefit payments	(801 472)	(1 005 502)
Actuarial (gains)/losses	128 528	271 129
Balance at end of year	<b>7 977 161</b>	<b>7 271 627</b>

The timing of the employee benefits is as follows:

Current portion of employee benefits	1 014 311	801 472
Employee benefit obligation	6 962 850	6 470 155
	<b>7 977 161</b>	<b>7 271 627</b>

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	822 374	771 000
Interest cost	556 104	550 000
Actuarial (gains)/losses	128 528	271 129
	<b>1 507 006</b>	<b>1 592 129</b>

**38 RELATED PARTIES**

Members of key management  
Controlled Municipal Entity

*Section 57 managers*  
*Ilembe District Municipality has a*  
*100% holding in Ilembe Development*  
*Enterprise (Pty) Ltd.*  
*Refer to note 23 & 24*

Compensation to councillors and other key management

**Related party balances**

Amount owed to Ilembe Enterprise included in other payables	(1 268 537)	(12 697 884)
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**Related party transactions**

Transactions with Enterprise Ilembe Development Agency	19 573 096	16 708 146
Grant funding from the parent for LED projects	-	153 731
Rental of offices	1 166 764	1 289 112
Shared costs recoveries included in other income (e.g. lease of vehicles, cellphones)		

ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

IDM 2016 R	IDM 2015 R
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### 39 EVENTS AFTER THE REPORTING DATE

On 29 July 2016 the council of iLembe District Municipality approved debt impairment, asset impairment, inventory adjustments and certified as irrecoverable unauthorized, irregular, fruitless and wasteful expenditure and reclassification of irregular expenditure as deviations in terms of circular 68, that existed as at 30 June 2016. This resulted in adjusting post balance sheet events in terms of GRAP 14.

The effect on the reported figures is as follows:

<b>Statement of financial position</b>		
Decrease in Consumer Debtors	(9 806 065)	(23 800 126)
(Decrease)/ Increase in carrying amount of property, plant & equipment as a result of impairment	(4 042 179)	83 736 016
<b>Statement of financial performance</b>		
Increase/(decrease) in total depreciation, impairment and amortisation	69 680 117	(87 736 016)
Increase in provision for doubtful debt	97 678 134	-
<b>Disclosures</b>		
Decrease in Irregular expenditure	(1 428 555)	(2 590 940)
Increase/(Decrease) in fruitless and wasteful expenditure	105 927	(130 295)
Increase in unauthorized expenditure	37 637 473	24 877 095
Increase in deviations	4 609 288	49 600

### 40 RISK MANAGEMENT

#### 40.1 Maximum credit risk exposure

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Consumer debtors	211 612 744	209 575 679
Other debtors	147 005 337	74 186 007
	<u>358 618 081</u>	<u>283 761 685</u>
<b>Ageing of consumers</b>		
Current (0 – 30 days)	13 843 597	13 001 169
31 - 60 Days	9 046 940	12 783 500
61 - 90 Days	10 819 864	8 854 057
91 - 120 Days	6 146 237	7 568 493
121 - 365 Days	9 001 545	7 916 899
+ 365 Days	162 754 560	159 451 561
Total	<u>211 612 744</u>	<u>209 575 679</u>
Less: Provision for bad debts	(132 337 373)	(88 862 177)
Net consumer debtors	<u>79 275 370</u>	<u>120 713 502</u>



**ILEMBE DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**As at 30 June 2016**

	IDM 2016 R	IDM 2015 R
Cash and cash equivalents	35 916 287	31 863 096
Other investments	24 419 710	22 982 423
	<u>60 335 997</u>	<u>54 845 519</u>

These balances represent the maximum exposure to credit risk.

#### 40,2 Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipalities approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The Municipality's liability are backed by appropriate assets and it has liquid resources.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within a year	Between 2 to 5 years	Total
<b>2016</b>	15 463 776	7 980 147	23 443 923
Gross finance lease obligations	5 864 775	77 958 904	83 823 679
Borrowings	349 460 180	-	349 460 180
Trade and other payables	1 014 311	6 962 850	7 977 161
Other	<u>371 803 042</u>	<u>92 901 901</u>	<u>464 704 943</u>
	Within a year	Between 2 to 5 years	Total
<b>2015</b>	8 426 370	23 196 864	31 623 234
Gross finance lease obligations	1 516 041	89 868 402	91 382 443
Borrowings	276 654 494	-	276 654 494
Trade and other payables	801 472	6 470 155	7 271 627
Other	<u>287 398 376</u>	<u>119 533 421</u>	<u>406 931 797</u>

#### 40,3 Interest rate risk

The Municipality is not exposed to interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities are fixed interest loans.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The Municipality is exposed to fairvalue interest rate on its external loan liabilities , which are all fixed interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

Cash and cash equivalents	35 916 287	31 863 096
Other investments	24 419 710	22 982 423
Gross finance lease obligations	23 443 923	31 623 234
Borrowings	84 611 487	91 382 443
Consumer debtors	<u>211 612 744</u>	<u>209 575 679</u>

#### 40,4 Foreign Currency Risk

Municipality has a three year contract for the deployment of Microsoft share point with Microsoft.

At year end	422 371	6 245
Foreign exchange losses were:	1 962 805	144 376
Foreign exchange liability was:		
Sensitivity analysis:		

The Spot rate at 30 June 2016 was 15,0363, should the spot rate increase by 10% the foreign liability will be R 2 159 085.07 and the foreign loss will increase to R 464 607.75.39. Should the spot rate decrease by 10 % the forex liability will be R 1 766 524.15 and the Forex loss will decrease to R 380 133.61.

#### 41 RECONCILIATION BETWEEN BUDGET AND CASH FLOW STATEMENT

Key	Operating	Financing	Investing	Total
Amount as present in the budget statement	487 103 848	(13 473 881)	(454 408 460)	19 221 507
Actual amount as presented in the cash flow statement	611 476 545	(22 711 377)	(584 711 978)	4 053 190
Basis difference	-33 791 236	-	-	(33 791 236)
Timing differences	-	-	-	-
Entity differences	-	-	-	-
Variance	<u>-90 581 462</u>	<u>9 237 496</u>	<u>130 303 518</u>	<u>48 959 553</u>
Variance percentage	-18,60%	-68,56%	-29%	255%

ILEMBE DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
As at 30 June 2016

IDM  
2016  
R

IDM  
2015  
R

ILEMBE DISTRICT MUNICIPALITY  
APPENDIX A  
UNAUDITED SCHEDULE OF EXTERNAL LOANS  
as at 30 June 2016

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 1 July 2015		Received during the period		Interest Paid during the period		Loans Raised During the period		Redeemed / written off during the period		Balance at 30 June 2016	
			R		R		R		R		R		R	
LONG-TERM LOANS														
		2025	30 787 808		-		3 212 507		-		787 808		30 000 000	
		2025-09-30	60 594 634		-		2 806 719		-		5 983 147		54 611 487	
			91 382 443		-		6 019 226		-		6 770 955		84 611 487	
Total long-term loans														
ANNUITY LOAN														
		13527	9 679		-		-		-		-		9 679	
		11578	238		-		-		-		-		238	
			9 917		-		-		-		-		9 917	
Total capital creditors														
TOTAL EXTERNAL LOANS														
			91 392 359		-		6 019 226		-		6 770 955		84 621 404	

**ILEMBE DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**UNAUDITED ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2016

nd	Accumulated Depreciation											Change in estimate	Reversal of impairment loss	Impairment loss	Closing Balance		Carrying Value				
	Cost / Revaluation		Change in policy/prior year errors	Transfers		Under Construction	Closing Balance		Opening Balance		Depreciation				Disposals	Change in policy/prior year errors	R	R	R	R	
	Opening Balance	Additions		Disposals	R		R	R	R	R	R										R
	3 242 908,00	-	-	-	-	-	3 242 908	3 242 908	-	-	-	-	-	-	-	-	-	3 242 908	3 242 908		
	3 242 908,00	-	-	-	-	-	3 242 908	3 242 908	-	-	-	-	-	-	-	-	-	3 242 908	3 242 908		
	18 438 826,00	-	-	-	-	-	18 438 826	18 438 826	-4 887 411	-781 910	-	-426 815	-	-	-	-	-8 076 136	10 362 690	10 362 690		
Infrastructure	122 689 215,59	-	-	-	-	-	142 306 099	-36 749 129	-5 655 380	92 373	-7 609 226	-	-52 814	-49 974 177	-	-	-	92 331 922	92 331 922		
Water Mains & Purification	1 285 436 786,74	-	-	-	-	-	1 411 577 073	-235 538 447	-42 042 691	635 028	-31 868 465	-	-3 889 355	-312 803 941	-	-	-	1 098 773 132	1 098 773 132		
Water construction	388 171 791,55	-	-	-	-	-	497 238 166	-146 916 537	-738 493 421	-	-	-	-4 042 179	-362 778 117	-	-	-	738 493 421	738 493 421		
	1 796 277 803,85	-	-	-	-	-	2 292 376 593	-272 287 576	-47 698 071	727 400	-39 477 691	-	-	-362 778 117	-	-	-	1 925 588 475	1 925 588 475		
	1 817 859 537,85	-	-	-	-	-	2 314 058 327	-279 154 987	-48 479 981	727 400	-39 904 506	-	-4 042 179	-370 854 263	-	-	-	1 943 204 074	1 943 204 074		
Total carried forward																					

Total carried forward

ILEMBE DISTRICT MUNICIPALITY																
APPENDIX B																
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT																
as at 30 June 2016																
	Cost / Revaluation				Accumulated Depreciation											
	Opening Balance	Additions	Change in policy/prior year errors	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Change in policy/prior year errors	Impairment loss/prior year	Reversal of impairment loss	Closing Balance	Carrying Value		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R		
total brought forward	1 817 959 537,85	-	-	-343 002	497 238 166	2 314 058 327	-279 154 987	-48 479 981	727 400	-39 904 506	-	-4 042 179	-370 854 253	1 943 204 074		
Other Assets																
Office Equipment	3 541 382,76	110 830,00	-	-32 332,32	-	3 830 244	-2 304 773	-390 352	31 448	-6 978	-3 587	-	-2 674 242	1 156 000		
Machinery & Equipment	2 182 868,51	89 100,00	-	-25 688,23	-	2 388 918	-1 594 457	-248 974	17 754	-	-624	-	-1 826 301	582 617		
Transport Assets	5 087 809,07	-	2 305 735,66	-3 857 638,48	-	3 535 906	-2 374 250	-405 048	2 950 093	-2 259 564	-2 240	-	-2 088 769	1 447 137		
Computer Equipment	7 343 623,42	595 591,00	-	-249 483,62	-	7 689 731	-5 651 181	-700 564	233 087	-	-	-	-6 320 918	1 368 613		
	18 165 383,76	795 521,00	2 305 735,66	-4 165 142,65	-	17 444 800	-12 124 681	-1 744 938	3 232 361	-2 266 542	-	-6 450	-12 910 230	4 534 568		
Finance Lease Assets	41 779 100,08	1 513 620,52	579 493,28	-3 211 759,76	-	40 660 454	-14 130 160	-13 521 482	2 186 126	-157 933	-	-	-25 623 449	15 037 005		
Other Assets	41 779 100,08	1 513 620,52	579 493,28	-3 211 759,76	-	40 660 454	-14 130 160	-13 521 482	2 186 126	-157 933	-	-	-25 623 449	15 037 005		
	1 877 904 321,69	2 309 141,52	2 885 228,94	-8 173 277,63	-0,00	2 372 163 381	-305 409 807	-63 746 402	6 145 887	-42 328 981	-	-4 048 629	-409 387 932	1 962 775 646		
Total																

ILEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2015

	Cost / Revaluation				Closing Balance R	Opening Balance R	Depreciation R	Disposals R	Change in policy/prior year errors	Impairment loss/Reversal of impairment loss R	Closing Balance R	Carrying Value R
	Opening Balance R	Additions R	Change in policy/prior year errors	Disposals R								
Land	3 242 908.00	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
	3 242 908.00	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
	3 242 908.00	-	-	-	3 242 908	-	-	-	-	-	-	3 242 908
Buildings	18 438 825.00	-	-	-	18 438 825	-5 477 160	-685 854	-	-704 397	-	-8 867 411	11 571 413
	18 438 825.00	-	-	-	18 438 825	-5 477 160	-685 854	-	-704 397	-	-8 867 411	11 571 413
Infrastructure	81 122 101.13	76 466.53	38 619 193.00	2 851 455	122 669 216	-37 662 046	-4 261 408	-	-4 279 641	11 323 101	-36 749 129	85 920 087
Sewerage Mains & Purification	1 137 866 669.97	1 107 782.26	-38 619 193.00	185 081 518	1 285 436 797	-380 534 946	-35 544 560	-	116 259 009	105 237 452	-235 538 447	1 049 898 348
Water Mains & Purification	239 481 924.39	-	-	-202 340 873	388 171 792	-	-	-	-	-	-	388 171 792
Under construction	1 458 470 715.49	1 184 248.79	-	-14 407 900	1 796 277 804	-428 196 992	-39 805 968	-	111 979 368	116 560 553	-272 287 576	1 523 990 228
	1 480 152 448.49	1 184 248.79	-	-14 407 900	1 817 959 537	-433 674 151	-40 491 822	-	111 274 971	116 560 563	-279 164 987	1 538 804 547
Total carried forward	1 480 152 448.49	1 184 248.79	-	-14 407 900	1 817 959 537	-433 674 151	-40 491 822	-	111 274 971	116 560 563	-279 164 987	1 538 804 547

ILEMBE DISTRICT MUNICIPALITY  
APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2015

APPENDIX B ANALYSIS OF PROPERTY PLANT AND EQUIPMENT as at 30 June 2015											
	Cost / Revaluation			Accumulated Depreciation					Impairment loss/Reversal of impairment loss R	Carrying Value R	
	Opening Balance R	Additions R	Change in policy/prior year errors	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Disposals R			Change in policy/prior year errors
Total brought forward	1 480 152 448.49	1 184 248.79	-	-14 407 900	1 817 959 537	-433 674 151	-40 491 822	-	111 274 971	-279 154 987	1 538 804 547
Other Assets											
Office Equipment	3 079 880.25	622 351.95	-	-	3 541 383	-2 093 284	-346 862	148 630	-	-13 257	1 236 609
Machinery & Equipment	2 369 300.32	104 712.87	-	-	2 192 869	-1 584 009	-264 067	262 310	-	-8 489	588 614
Transport Assets	8 404 606.86	56 018.55	-	-	5 087 809	-4 610 578	-760 155	3 196 484	-	-	2 713 559
Computer Equipment	7 719 194.66	-	-	-	7 343 624	-5 360 021	-879 106	400 756	-	-12 809	1 492 445
	21 571 982.31	783 093.37	-	-	18 165 685	-13 847 892	-2 260 190	4 008 179	-	-34 555	6 041 228
Finance Lease Assets											
Other Assets	11 900 727.35	38 826 119.63	-754 119.24	-	41 779 100	-9 923 448	-12 862 449	8 078 860	676 877	-	27 648 940
	11 900 727.35	38 826 119.63	-754 119.24	-	41 779 100	-9 923 448	-12 862 449	8 078 860	676 877	-	27 648 940
Total	1 513 625 158.15	40 793 461.79	-754 119.24	-14 407 900	1 877 904 322	-457 445 492	-55 704 461	12 087 039	676 877	-32 859 092	1 572 894 714



ILEMBE DISTRICT MUNICIPALITY  
APPENDIX C  
UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
as at 30 June 2016

as at 30 June 2016											
Cost / Revaluation						Accumulated Depreciation					
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposal	& Impairment Loss/Reversal	Closing Balance	Carrying value
	R	R	R	R	R	R	R	R	R	R	R
Executive & Council	12 431 432	595 591		(1 801 386)	11 225 637	(8 225 430)	(1 105 612)	3 183 159	(2 261 804)	(8 409 687)	2 815 950
Finance & Admin	27 415 985	199 930		(58 021)	27 557 895	(10 766 641)	(1 421 236)	49 202	(438 004)	(12 576 679)	14 981 216
Waste Management	122 669 216	-	-	(96 094)	122 573 121	(36 749 129)	(5 655 380)	92 373	(7 662 040)	(49 974 177)	72 598 944
Water	1 285 436 797	-	-	(700 281)	1 284 736 516	(235 538 447)	(42 042 691)	635 028	(35 857 830)	(312 803 941)	971 932 575
Under Construction	388 171 792	-	497 238 166	-	885 409 958	-	-	-	(157 933)	(25 623 449)	885 409 958
Other	41 779 100	2 093 114		(3 211 760)	40 660 454	(14 130 160)	(13 521 482)	2 186 126		(409 387 932)	15 037 005
Total	1 877 904 322	2 888 635	497 238 166	(5 867 542)	2 372 163 581	(305 409 807)	(63 746 402)	6 145 887	(46 377 610)		1 962 775 646

ILEMBE DISTRICT MUNICIPALITY

APPENDIX D

UNAUDITED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

as at 30 June 2016

	2015	2015	2015	2016	2016	2016
	Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
	47 582 759	57 387 220	(9 804 460)	182 324 660	139 152 536	43 172 124
	163 017 452	122 939 893	40 077 559	78 204 799	49 028 892	29 175 907
	12 781 417	20 103 619	(7 322 202)	31 706 713	21 121 859	10 584 854
	-	5 284 325	(5 284 325)	-	3 167 530	(3 167 530)
	118 208 365	50 646 645	67 561 720	154 691 730	45 931 332	108 760 398
	550 590 411	147 066 703	403 523 707	644 439 732	411 364 147	233 075 585
<b>Total</b>	<b>892 180 405</b>	<b>403 428 405</b>	<b>488 751 997</b>	<b>1 091 367 635</b>	<b>669 766 296</b>	<b>421 601 337</b>
Executive & Council						
Finance & Admin						
Planning & Development						
Community & Social Services						
Waste Management						
Water						